


# EDUCATIONAL GUIDE TO AUTOMOBILE INSURANCE



**DIFP**  
Department of Insurance  
Financial Institutions &  
Professional Registration

## Who needs auto insurance?

Suppose you have an auto accident and you hurt or kill someone, damage someone else's property or damage your own car. If you are found legally responsible, Missouri's Motor Vehicle Financial Responsibility Law **requires** you to pay for the other person's injuries and damages. **If you can't pay, you can lose your driving privileges or even risk a criminal conviction and time in jail.**

Most Missourians rely on automobile liability insurance to prove they are financially responsible.

Automobile liability insurance protects you from paying a large amount of money at the time of an accident if the accident is your fault and protects the victims against their losses. Besides liability and uninsured motorist insurance, you may also want to consider insuring your car against damages caused by collision, fire, theft, windstorm or hail.

When deciding to buy automobile insurance, or any other insurance, you should ask:

- How much of my property can I afford to lose if it is damaged or stolen?
- What property could be damaged or stolen and how much does it cost to replace?
- If I am sued by someone who suffered injuries because of my carelessness, how would I pay the legal costs and possible damage awards?

Read this guide carefully to learn how you can protect yourself against these and other risks. Don't rush into purchasing insurance coverage. Get all of the facts and think carefully before buying. You and your family have to live with the consequences of your decision. For more information on insurance companies you can access our Web site at <http://insurance.mo.gov>

## Selecting an insurance agent/producer

A licensed agent/producer can help you purchase insurance coverage. They can inform you about the types of policies available and how you can best protect yourself. They should assist you in filing claims and making sure your claims are settled promptly and fairly. Agents/producers must be licensed by the Missouri Department of Insurance. Their license is proof they have passed state examinations that require a thorough understanding of insurance policies and practices. Always be sure that you are doing business with a licensed agent/producer.

A responsible agent/producer will:

- Take time to clearly explain your policies and coverage.
- Review your insurance needs annually to see that your policies are adjusted to changing circumstances.
- Examine your overall insurance picture when you are considering additional coverage.
- Explain how your premium rates are determined, and suggest ways you can save money on your auto insurance.

Select your agent/producer with care. Choose an agent/producer in whom you have confidence. Obtain help from people with experience in dealing with insurance. A good way to locate an agent/producer is by referral from satisfied relatives and friends. Talk to agents/producers from several companies to learn about and compare the services they offer.

## Understanding your insurance policy

1. The **declarations page** includes information about the individual purchasing the policy; the dollar amount of the policy; the type, extent, and cost of coverage; the date and time coverage begins; and the date the policy expires.
2. The **insuring agreement** states what losses the policy will cover and provides for your legal defense up to the limits of the policy.
3. The **exclusions** state what the policy will not cover, sometimes referred to as the “fine print.” Typical exclusions are:
  - Intentional damage to your own automobile.
  - Damages caused when your automobile is used as a public or delivery vehicle, unless your policy states that it will be used for this purpose.
  - Damages caused while your automobile is being driven by employees of a garage, parking lot or auto sales agency.
  - Household drivers who are excluded from coverage.

Read the exclusions carefully. Ask your agent/producer to explain any part that you do not understand.

4. The **conditions** lists the policy’s rules and your duties in case of loss. Usual conditions require you to:
  - Report the loss to your company as soon as possible.
  - Use reasonable care to prevent further damage to your car.
  - Give reasonable cooperation to the company.
  - File proper proof of loss with the company.
  - Forward all documents of lawsuits under your policy to your company.

Failure to meet your responsibilities listed in the conditions may jeopardize any claim you may file. Become familiar with the conditions section of your policy, and consult it immediately upon incurring any loss.

5. The **endorsements** are changes in coverage that are added to your insurance policy. Changes are typed on a form called an endorsement and attached to your policy or included with your renewal notice.
6. Any **premium notice** sent to you that increases the premium as a result of accident claims is required to state the specific reason for the increase and the percentage or dollar amount of the increase.

Remember, an insurance policy is a legal contract. Read your policy carefully to make sure you understand all of the provisions. Ask your agent/producer to explain anything you do not understand. If your agent cannot explain the policy to your satisfaction, contact the Department of Insurance, another agent/producer, or the insurance company directly.

## Liability insurance coverage

Insurance companies sell several types of basic automobile insurance coverage. Liability insurance is the most basic type of automobile insurance available. Missouri law requires an automobile liability policy to include:

- **Bodily injury liability insurance**, which protects you and your family financially if you are sued by someone injured in an accident in which you were involved. It will pay legal and court costs and damages awarded up to the limits written into the policy. Bodily injury is for others, not you.
- **Property damage liability insurance**, which covers your legal responsibility for damages to the property of others caused by collision with your car. In an accident, the “property of others” is usually another car, but it also covers damage to public and private property such as road signs, bridges, or buildings, up to the limits written into the policy. Do not confuse this coverage with physical damage or collision insurance, which applies to damage or loss to your car, regardless of fault.
- **Uninsured motorists insurance (UM)**, which covers *your* bodily injuries and those of your passengers if you are hit by an uninsured motorist or hit-and-run driver who is responsible for the accident. *It does not cover damages to your car.*

EXAMPLE: A minimum liability insurance policy might be shown as 25/50/10, BI, PD, and 25/50 UM. BI means bodily injury liability, PD means property damage liability, and UM means uninsured motorist coverage. The numbers signify:

- \$25,000 is the maximum bodily injury liability payment under the policy for injury (or deaths) to one person involved in a single accident, excluding you.
- \$50,000 is the maximum bodily injury liability payment that can be made for injuries (or death) to all persons involved in a single accident, excluding you.
- \$10,000 is the maximum property damage liability payment that can be made under the policy for damages to another person’s property from a single accident.
- \$25,000 is the maximum bodily injury uninsured motorist payment that can be made to one person involved in a single accident, including you.
- \$50,000 is the maximum bodily injury uninsured motorist payment that can be made to all persons involved in a single accident, including you.

Remember that persons injured as a result of your driving can, and often do, sue for damages greater than this example. You may be personally responsible for damages not covered by your policy.

Consider higher limits of coverage, which are usually available at a moderate increase in price. Discuss and compare coverage and premium cost with your agent/producer. Keep this in mind when purchasing your automobile liability insurance.

Many companies now offer “single limit” liability insurance which covers bodily injury (BI) and property damage (PD) liabilities at one single dollar limit, such as \$50,000 rather than split coverage of 25/50. A single limit of \$50,000 means the company will pay up to \$50,000 for bodily injury and property damage liability claims arising from any one accident without regard to how much of that limit is for bodily injury and/or property damage. Ask your agent/producer to explain the differences between single limit and split coverages.

## **Physical Damage**

If you have a newer model or expensive car, you should consider purchasing comprehensive and collision insurance to protect you financially in case of damage to your car or theft (most companies will not sell collision without comprehensive coverage).

## **Comprehensive Insurance**

Pays for damages to your car from risks such as fire, theft, explosion, windstorm, hail, vandalism, glass breakage, birds and animals. Risks covered are listed in your policy under the insuring agreements section. This coverage may have no deductible, a \$100 or \$250 deductible, or more. The deductible is the amount of any loss you must pay before the insurance company will cover damages.

## **Collision Insurance**

Covers damage caused by the collision of your car, regardless of who is responsible. This type of insurance usually includes a deductible. Again, you pay the deductible amount when you have an accident, and the insurance company pays the rest, within the limits of the policy.

## **Other types of automobile insurance**

Many drivers feel they need insurance protection beyond the basic liability insurance coverage.

### **Underinsured motorist insurance (UIM)**

Covers your bodily injuries and those of your passengers if you are hit by a car whose driver is at fault and does not have enough insurance to cover the expenses of the injuries, or if you are injured by a hit and run driver, and your uninsured motorist limits are exhausted. Underinsured motorist coverage applies to bodily injury only.

### **Medical payments insurance**

Pays for your medical costs up to the limit stated in the policy. It covers you or your family for injuries sustained while in your car or as a pedestrian struck by a motor vehicle. Some policies also cover you when you are in someone else's car. Passengers in your car also are covered. Medical payment insurance usually covers funeral expenses in connection with an automobile accident. However, some policies may only pay the amount not covered by other collectible health or accident insurance.

### **Force Placed Insurance**

If the car is financed by a lending institution, the lender will probably require comprehensive and collision insurance to protect its interest in your car. A lender **cannot** require you to purchase insurance from a particular agent/producer or company. However, if you don't secure coverage, the lender will "force place" insurance to protect their interest in the loan. This type of "force placed" insurance is expensive and is added to the cost of your loan. This type of coverage does not insure the vehicle, and only protects the lender's interest in your loan. You often can save money by purchasing the insurance protection on your own.

### **Optional Insurance**

Insurance companies may offer other optional coverages, such as towing, rental and labor benefits. When comparing policy premiums, make sure to consider similar coverages. Not all insurance buying decisions are simple or clearcut. When in doubt, remember it is more important to have insurance against large losses that could threaten your standard of living, than to have protection against small losses you can afford to pay yourself.

**Please note:** Insurers cannot increase an insured's premium for any of the following reasons (not at-fault accidents)

- Insured automobile was lawfully parked (auto rolling from a parked position is not considered lawfully parked)
- Insured has been reimbursed by or on behalf of person responsible for accident
- Insured automobile is rear-ended and the insured is not convicted of a moving violation
- Insured not convicted of moving violation while the other driver involved was convicted of a moving violation
- Insured automobile was damaged as a result of a hit-and-run and the accident was reported to the authorities within 24 hours
- Accidents involving damage by contact with animals or fowl
- Accidents involving physical damage limited to and caused by flying gravel, missiles or falling objects
- Accidents occurring as a result of the operator responding to an emergency as a paid or volunteer member of a police or fire department, first-aid squad or any law enforcement agency

### **Car Rental Agreements**

Car rental companies are required to provide notice on rental agreements on company Web sites that collision damage waivers and car rental insurance are not required to rent a vehicle. Notice must also inform the renter that his or her auto insurance or credit card agreements may cover rental cars.

### **GAP insurance**

GAP insurance acts to protect the owner of a new or used vehicle that was purchased with a loan. It is possible that the payoff amount on the vehicle loan is higher than the value of the vehicle. In the event that the vehicle is totaled or stolen, GAP (Guaranteed Auto Protection) insurance will cover the difference between the vehicle's value and the loan payoff amount. Many insurers offer GAP coverage through endorsements, as it is not included in the average policy.

## **Who is covered under the insurance policy?**

Missouri requires all private passenger automobile insurance policies to cover a specific car and these drivers:

- The person named in the policy.
- The spouse or any other family member living in the same household.
- Any other person who has permission to drive the car.

Personal auto insurance policies can specifically exclude named drivers from coverage including family members who live in the home. Some policies may only provide the minimum liability limits (25/50/10) for other drivers not in your household who drive your car, even when your limits are higher.

### **Companies Adding Minors to Policy**

It is best to check with your company regarding how minors are added to the policy. Some companies assume that minors get their license when they turn sixteen and they automatically add them to the policy and are automatically rated. If the minor does not obtain their license, it is the duty of the insured to have the minor excluded from the policy. Other companies do not rate minors until a driver's license has been formally issued.

## Suspended/Revoked License

Insurers may not cancel your policy for suspension/revocation of the insured's license if there is another named insured on the policy. Instead, the insured with the suspended/revoked license may be excluded from the policy.

## How are insurance rates determined?

The Missouri Department of Insurance does not set insurance rates. An insurance company's rates are based upon the claims they pay, operating expenses, and profit. The rates you pay as an individual driver/owner are usually based on:

- The amount of coverage purchased.
- The amount of the deductible chosen.
- Where the automobile is garaged; auto rates for farm use generally have lower rates than those rated for city use.
- How the auto is used and the number of miles driven each year.
- The type and age of the car.
- The age and sex of the insured driver.
- Credit history.
- Driving and claims record. Missouri regulations, however, prohibit insurers from charging extra for claims under your comprehensive coverage.

Insurance companies and insurance rating organizations establish rating territories generally based upon claims experience. Check with your agent/producer if you have any questions about your rating territory.

## Tips on lowering premiums

- **Drive safely.** Your driving record greatly affects your auto insurance rates. Every time you are responsible for an accident or receive a moving traffic violation you risk having your premium raised or your policy cancelled.
- **Shop around.** Consumers can increase their odds of getting the best insurance "deal" by getting information about rates, coverage, and service from a number of companies and agents/producers. A few phone calls may save you \$50 to \$100. The Missouri Department of Insurance publishes rate guides on sample premiums charged by high-volume insurers. Visit MDI's Web site at <http://insurance.mo.gov> or call 1-800-726-7390 for a copy of the rate guide for your area. Individual company Web sites also can provide easily accessible quotes for you from several companies and contact numbers for local agents/producers. Be wary, however, of buying directly over the Internet without the assistance of a local agent/producer. For more information on insurance companies, you can access our Web site.
- **Increase deductibles.** Your auto insurance rates will decrease as you raise the deductible amounts on your policy. A deductible is the amount of any loss you must pay before the insurance company will cover damages. For example, if you have a deductible of \$100 on your auto policy and have \$1,000 worth of damage, you pay the first \$100 and the insurance company pays \$900.
- **Credit Scores.** Most insurance companies use your credit history along with accidents, violations, age, and location to determine your premiums. Obtain a copy of your credit report and verify that the information is accurate. Bankruptcies, judgments, liens, late pays and credit



inquiries will cause your “credit score” to decrease and your premiums to increase. The department’s Web site shows how large insurers use credit scores on auto policies.

- **Take advantage of special discounts.** Don’t wait for your agent/producer to offer discounts -- ask for them. The Missouri Department of Insurance publishes a brochure on typical discounts offered by high-volume insurers. Available discounts include:

- Multiple Vehicles Discount
- Auto and Home Discount
- Accident-Free Discount
- Good Student Discount
- Air Bag/Driver-Side Discount
- Air Bag/Both-Sides Discount
- Anti-Lock Brakes Discount
- Anti-Theft Device Discount
- Automatic Seatbelts Discount
- Elderly/Retired Discount
- Premium Paid in Full Discount
- Economy Care Discount
- Daytime Running Lights Discount

However, don’t automatically assume that just because you get a discount the rate is a good one. In some cases, a company’s rates without a discount can be lower than those of other companies that offer discounts. Shop around and compare rates. Other issues to bear in mind include:

- **Financing your insurance premium.** Try to pay for your automobile insurance for the full policy period. Some companies have monthly, quarterly or semi-annual installment payment plans at an extra cost. In addition, automobile insurance costs that are sometimes financed by outside sources can sometimes be very expensive. Check closely into the added cost of any premium financing plan.
- **Consider insurance costs when you buy a car.** Insurance costs go up if you buy a high-performance, or more expensive automobile. Talk to your agent/producer about the cost of insurance before you buy.
- **Reduce or eliminate collision and/or comprehensive coverage on an old car.** The amount you may pay in premiums may equal the cash value of your automobile.
- **Insure all your cars with the same company.**
- **Notify your agent/producer if you:**
  - o Substantially cut down on your annual mileage
  - o Move to a different neighborhood, town, or state
  - o Sell a car
  - o Cut down on the number of drivers in the household
  - o Marry
  - o Turn 21, 25, or 29

These changes in circumstances may lower your premium.

- **Don’t duplicate coverage.** Try not to buy automobile insurance and health/accident insurance that pay for the same things. Compare your policies and consult with your agent/producer before purchasing additional coverage.



- **Group insurance.** Some associations, organizations, or employee groups have insurance plans available to members to purchase automobile (or other) insurance through special arrangements with insurance companies. In some cases, the insurance company may automatically accept all group members for insurance or only those members meeting their requirements. Find out first! Group arrangements for insurance may save you money, but they may not always do so. Look into the cost of purchasing insurance coverage individually.

## Automobile insurance quotation worksheet

To shop for insurance, use the worksheet in this guide. It will help you gather information to apply for auto insurance and make cost comparisons.

If the agent/producer or company misquotes the premium and the policy is in effect for less than 60 days, the policy is re-rated and the correct amount is charged. Policies in effect for more than 60 days must continue coverage at the quoted rate unless you misrepresented information to the insurance company or the agent/producer. (For example, you may have forgotten to list a previous accident or moving violation.)

### Directions:

1. Before you begin comparison shopping for insurance, fill in the rating information. If your son or daughter has a car registered in their name and you intend to obtain coverage for them as well, their rating information should be completed on a copy of this worksheet.
2. Call or visit several insurance agents/producers to obtain premium quotes. Write down the name and telephone number of the agent/producer and the company represented.
3. Make a note of any variations between companies' limits and deductibles.
4. Don't forget to ask for any applicable discounts.
5. Ask how and where claims are reported. Be sure it is convenient for you.
6. Remember: price isn't the only consideration when purchasing insurance. An agent/producer's and a company's reputation for reliable service and fair claims processing is important.

Drivers				
Driver	Age	Sex	Marital Status	% Use of Vehicle
Principal Operator				
Other Drivers				

### Other Information for Quote

1. Annual Mileage:
2. Number of days per week or number of weeks out of 5 weeks if driving in a car pool:
3. Number of miles one way if driving to and from work every day:
4. Number of accidents or moving violations in the last 3 years: List on a separate sheet. Use date of conviction for violations.

Type of auto(s) to be insured		
Make	Model	Year
Auto 1		
Auto 2		

### Insurance Coverage

Coverage	Limits of Deductibles	Company 1 Annual Premiums	Company 2 Annual Premiums	Company 3 Annual Premiums	Company 4 Annual Premiums
Liability (per person)	\$	\$			
Bodily Injury (per accident)	\$	\$			
Property Damage (per accident)	\$	\$			
Uninsured Motorist	\$	\$			
Physical Damage to Insured Vehicle	\$	\$			
Comprehensive Deductible	\$	\$			
Collision Deductible	\$	\$			
Other Coverages	\$	\$			

**Cancellation or non-renewal of your policy**

Missouri law provides that any private passenger automobile policy that has been in effect for 60 days must be continued for six months, without being cancelled, except for the following reasons:

- Suspension or revocation of the driver's license of the person named in the policy, unless there is more than one named insured in the policy.
- Non-payment of premium.

The law also provides that you must receive written notice and an explanation 30 days before your policy is cancelled or not renewed.

If you are refused automobile insurance, you must be sent a written explanation. Such notice must also provide information about the availability of the Missouri Joint Underwriting Association (JUA) and its coverage for those who cannot find regular coverage.

Any premium refund due to you must be paid promptly by the company.

NOTE: Missouri law prohibits insurance companies from asking:

- If you have been cancelled by an automobile insurance company previously.
- If you have previously been refused automobile insurance.
- If your automobile insurance has not been renewed previously. However, they may charge you more if you do not have proof of prior insurance.

## **If you cannot get auto insurance...**

Drivers who have difficulty obtaining coverage from any company selling auto insurance in Missouri may obtain coverage from the Missouri Joint Underwriting Association. MJUA net losses are funded by all companies selling auto liability insurance in Missouri. This coverage is only for those drivers who cannot find insurance in the normal market. Any agent/producer should be able to provide you with an MJUA rate or information on who to contact. Call our Consumer hotline at 1-800-726-7390 or e-mail the Department of Insurance if you cannot locate MJUA assistance.

## **What to do if you have a complaint**

If you believe your insurance company has treated you unfairly, or your claim has not been handled properly, you may file a complaint with the Missouri Department of Insurance. However, many disputes with an insurance company are the result of a misunderstanding or involve legal questions of fact that may only be resolved by a court of law. Discuss your problem with your agent/producer or company representative first. If you still cannot resolve your problem and believe the company's action may have violated a Missouri statute or regulation, please contact:

Missouri Department of Insurance  
P.O. Box 690  
Jefferson City, MO 65102-0690  
(573)751-2640 or 1-800-726-7390

or file your complaint on-line at:

<http://insurance.mo.gov/consumer/complaints/index.htm>

Remember: the Missouri Department of Insurance, nor your attorney, has the authority to act as a court of law to resolve questions of fact. Be sure that when you contact the department's office, you are able to support any allegation of a violation of law.

## **Investigating a complaint**

If you file a complaint against an insurance company, the Department of Insurance will contact the company to determine whether it is acting in good faith. The department will then report its findings to you. Generally, claims against an insurance company based upon your allegation that its policyholder was negligent and caused an automobile accident that caused damage to you or your vehicle are not within the jurisdiction of the Department of Insurance. The department does not have the authority to force payment.

If a particular insurance company repeatedly demonstrates bad faith, the department can ask for suspension or revocation of its license to do business in Missouri.

If an insurance company refuses to pay, you may consult with an attorney or, if the claim is under \$3,000, go to a small claims court. Obtain information on small claims court from the associate circuit court in your county.